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**FISCAL IMPACT STATEMENT**

**LS 7147**

**BILL NUMBER:** SB 432

**NOTE PREPARED:** Jan 25, 2015

**BILL AMENDED:**

**SUBJECT:** Distribution of Taxes Based on Tax Levies.

**FIRST AUTHOR:** Sen. Niemeyer

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that after 2015 if a distribution of excise taxes or local option income taxes to a taxing unit is based on the amount of a taxing unit's property tax levy, the calculation of the distribution is to be based on the amount of the taxing unit's property tax levy after subtracting any circuit breaker property tax credits that are provided to taxpayers of the taxing unit for property located in the taxing unit.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *LOIT Distributions:* The Department of Local Government Finance (DLGF) provides the LOIT revenue distribution breakdown by unit to the county auditors. The DLGF will have to make a minor change to the distribution reports. This should not add any additional cost for the DLGF.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Beginning in CY 2016, this bill will result in a redistribution of excise tax and local option income tax (LOIT) revenues between taxing units. Some taxing units will receive more revenue, while others will receive less. The total excise tax and LOIT revenue within a county will be unchanged. Small changes to property tax revenue may occur in CAGIT counties.

*LOIT Distributions:* The certified shares portion of CAGIT, COIT, and CEDIT are distributed proportionately to eligible civil taxing units in the county based mostly on each unit's preceding year levy. Under the bill, the net amount of the levy minus the loss from circuit breakers forms the new basis for the LOIT shares distribution. Some taxing units in the county lose a larger percentage of their levy to circuit breakers than others. So, each unit's proportion of the total distribution changes.

Some counties distribute CEDIT on a population basis and are not affected by this provision. In addition, Marion County has its own COIT shares distribution formula that is based on maximum permissible levies rather than the levies themselves. Marion County COIT distributions will not be affected by this bill.

There are currently 56 counties that impose legacy CAGIT, 28 counties that impose legacy COIT, and 72 counties that impose CEDIT. Fifty-seven of the CEDIT counties distribute shares based on levy and the remaining 15 counties distribute shares based on population.

An analysis of the CY 2015 certified shares distributions shows that if this bill had been in effect for 2015, 437 taxing units would have received \$22.5 M less in certified shares and 1,431 units would have received \$22.5 M more.

In addition, a part of CAGIT revenue is used by civil taxing units and school corporations to reduce property tax levies. The analysis shows that if this bill had been in effect for 2015, 322 taxing units would have received \$2.4 M less and 1,019 units would have received \$2.4 M more for levy reductions. Property tax levies will rise in the units with the largest circuit breaker impacts and levies will fall in units with the smallest circuit breaker impacts. Those levy increases will cause increased circuit breaker losses. The levy reductions may or may not cause a reduction in circuit breaker losses, depending on if the particular unit has any losses.

*Excise Tax Distributions:* Excise tax revenue is distributed to the taxing units within the taxing district where the vehicle owner resides. The distribution is proportionate, based on the amount that each unit levies within the taxing district. Each unit in the taxing district loses the same percentage to circuit breakers, unless a unit has exempt levies. Exempt levies are those that (1) result from the passage of a referendum or (2) fund debt issued before July 1, 2008, in Lake and St. Joseph Counties.

In taxing districts with units that have no exempt levies, this provision will not affect excise tax distributions. However, if a district includes a unit with exempt levies, the unit with exempt levies will receive more excise tax revenue and the units without exempt levies will receive less excise tax revenue.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors; Civil taxing units and school corporations.

**Information Sources:** Local Government Database, DLGF; County auditor abstracts.

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